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IF ANYTHING, ECONOMIC SLOWDOWN IS WORSENING

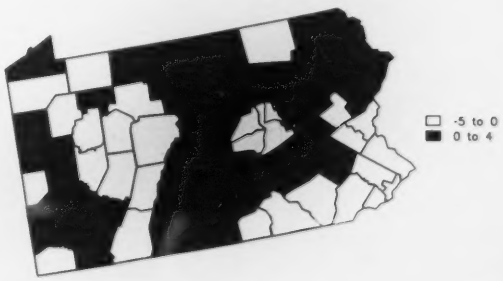
The Pennsylvania economy continues to struggle, with no signs of improvement in the offing. Activity in the goods producing sector appears to be on the decline. While still growing, the service producing sector is not coming close to matching the rate of expansion recorded in previous years. The national economy is not much better as talk of a recession begins to mount. A consensus which argues that U.S. economic growth turned negative in late summer or early fall appears to be developing.

Some analysts contend that the differences in economic growth between the eastern and western halves of the Commonwealth are beginning to narrow. County employment trends through August of this year provide some qualified support for such a contention, but talk of a reversal of trends from recent years is still premature. The difference in economic growth during the 1983-1989 period is clearly evident in employment growth "differentials" (chart). These differentials refer to the difference between average annual employment growth at the county level and Statewide growth. Positive numbers indicate above average growth while negative differentials point to a sub-par performance. A majority of counties in the eastern half of the State exhibited above average employment growth rates during the period while only three western Pennsylvania counties are characterized by relatively strong employment growth. Trends so far in 1990 show that employment growth is a bit more evenly spread across the State. A good portion of southeastern Pennsylvania is now characterized by sub-par growth while several counties in the west are now turning in employment growth rates in excess of Statewide averages (chart). These trends suggest that there has been a shift in relative employment growth, but that shift does not appear to constitute a reversal.

It is important to keep in mind that while the west, as a whole, may be performing more on par with the eastern counties, this is occurring while employment growth statewide is on the decline (chart). In fact, **during the first eight months of this year, only three counties are maintaining employment growth rates in excess of the 1983-1989 average.** Employment growth is down several percentage points in several southeastern counties. These findings suggest that **the west is not necessarily "catching up" with the east, but that the east is perhaps "coming down" to the west.**

An examination of recent economic trends Statewide suggests that the overall employment/unemployment situation

1989-1990 RESIDENT EMPLOYMENT GROWTH
DIFFERENTIALS BY COUNTY
(differentials in percentage points)

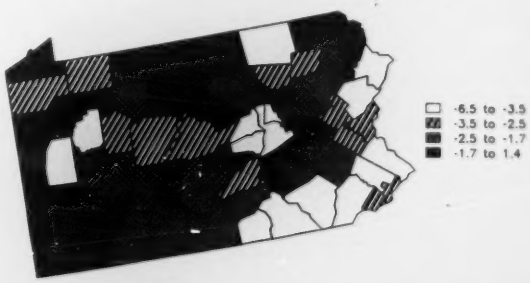


SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

1983-1989 RESIDENT EMPLOYMENT GROWTH
DIFFERENTIALS BY COUNTY
(differentials in percentage points)

SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

CHANGE IN RESIDENT EMPLOYMENT
GROWTH BY COUNTY
(percentage points; 89-90 growth minus 83-89 growth)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

continues to show signs of softening in October. Specifically, the jobless rate for the month, at a seasonally adjusted 6.1 percent, stands at its highest level in nearly four years. **Initial claims for unemployment insurance, as they have since the beginning of 1989, continue to track upward, suggesting that joblessness is likely to remain a problem in the future.** Additionally, employment levels are essentially unchanged from a year ago. **Overall, the employment situation is best characterized as being at a standstill.**

Nonfarm job trends are only slightly better. For the year, jobs in nonagricultural establishments in the State are up a minimal 0.4 percent, down from a 2.1 percent average annual gain over the 1983-1989 period. Furthermore, **growth has eased as 1990 has unfolded so that, as of October, nonfarm jobs are up by a minimal 4,000 from a year ago. Most likely, growth will turn negative in the months ahead.**

Pennsylvania's economic sluggishness is apparent in recent retail sales trends. Through September, sales are up just 1.5 percent while retail trade jobs have been essentially unchanged from year-ago readings so far in 1990. This year's gain in retail sales is not nearly enough to keep up with the rise in overall prices. Much of the weakness is concentrated in the durable goods categories, including auto-related sales. Additionally, the number of new car and small truck registrations in Pennsylvania continues to track down. Retail trade job trends in the next few months will likely shed a good deal of light on underlying trends in the industry. **In light of the general sluggishness evident in retail sales in recent months, the year-end seasonal spike in retail trade jobs is likely to be a bit less pronounced this year than is normally the case.**

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1990		1989	1990		1989	1990		1989
	Sept.	*Oct.*	*Oct.*	*Sept.*	*Oct.*	*Oct.*	*Sept.*	*Oct.*	*Oct.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,149	5,175	5,171	5,126	5,133	5,127	112.3	112.4	112.3
Service Producing									
No. of wage and salary jobs (thous.)	3,840*	3,871	3,843	3,843*	3,847	3,819	128.5*	128.6	127.7
Transportation and public utilities	256	257	257	255	254	254	97.5*	97.3	97.0
Wholesale trade	282	282	281	282	282	282	127.0*	127.2	127.0
Retail trade	893	904	904	895	897	898	124.8*	125.1	125.1
Finance, insurance & real estate	296	293	296	295	294	297	135.8*	135.1	136.4
Service & miscellaneous	1,422*	1,424	1,397	1,413*	1,416	1,390	163.8	164.2	161.1
Federal government	141	139	142	141	140	143	110.1	109.3	111.8
State & local government	550*	571	560	562	563	552	96.5	96.6	94.7
Goods Producing									
No. of wage and salary jobs (thous.)	1,306*	1,302	1,324	1,283*	1,286	1,307	81.5*	81.7	83.1
Construction	249	248	251	233	234	237	126.8*	127.4	128.9
Mining	27*	28	28	27	27	27	56.0	56.2	57.1
Manufacturing	1,030	1,027	1,045	1,022	1,026	1,043	76.2	76.4	77.7
Durable goods	582	580	594	579	580	594	71.5	71.7	73.4
Nondurable goods	448	447	451	444	446	450	83.4	83.8	84.5
Ave. wkly. hrs. worked by prod. workers	41.2*	40.8	40.9	41.0	40.8	40.9	103.8*	103.1	103.5
Total wkly. person-hours worked (mils.)	29.3*	28.9	29.5	29.1	28.8	29.5	75.7*	75.0	76.7
Total wkly. payroll (mil. dols.)	326.2*	321.5	317.1	323.6	321.1	316.9	144.0*	142.9	141.1
Average hourly earnings (dollars)	11.14	11.13	10.74	11.11	11.15	10.76	189.7	190.6	183.9
Average weekly earnings (dollars)	458.97	454.10	439.27	457.14	454.55	439.75	197.6*	196.5	190.1
Steel production (thous. tons)	1,022*	1,074	883	n.a.	n.a.	n.a.	53.1*	50.1	41.3
Industrial electric power sales (mil. kwh)	3,782	4,030	3,709	3,679	4,014	3,673	99.6	108.7	99.5
Mining									
Anthracite coal (thous. net tons)	323	354	373	297	264	290	60.7	54.0	59.4
Bituminous coal (thous. net tons)	6,346	7,198	6,533	6,355	6,448	5,927	90.1	91.4	84.0
Construction contracts awarded (mil. dols.)									
Total	777.9	855.5	817.7*	895.5	757.9	743.2*	278.3	235.6	231.0*
Residential building	270.6	347.9	372.2*	255.8	319.7	335.9*	181.8	227.2	238.7*
Nonresidential building	299.2	409.9	354.2*	336.8	301.2	282.3*	310.4	277.6	260.2*
Nonbuilding (utilities and public works)	208.1	97.7	91.3*	302.9	137.0	125.0*	417.9	189.1	172.5*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,561	5,550	5,560	5,525	5,517	5,523	115.0	114.8	114.9
Unemployed									
No. of persons (thous.)	297	346	257	320	362	274	79.8	90.3	68.3
Rate (percentage of labor force)	5.1	5.9	4.4						
Rate, seasonally adjusted				5.5	6.1	4.7			
Civilian labor force, no. of persons (thous.)	5,858	5,897	5,817	5,845	5,879	5,797	112.3	112.9	111.3
Initial claims for unemployment benefits	73,926	102,998	87,258	112,348	115,373	101,441	78.5	80.6	70.9

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1990		1989	*Month Ago*	*Year Ago*
	Sept.	*Oct.*	*Oct.*		
U.S. city average	132.7	133.5	125.6	0.6	6.3
Philadelphia	138.2	138.8	130.5	0.4	6.4
Pittsburgh	n.a.	129.6	121.7	n.a.	6.5

[1] Total includes workers on strike. * = figure revised n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	September	Pct. chg.	Year-to-date	Pct. chg.
Total	6,785	– 0.2	60,556	1.5
Durables	2,243	– 8.4	21,426	– 2.4
Bldg. mat.	286	– 2.0	2,541	– 1.1
Auto dlrs.	1,415	– 2.4	12,970	– 3.4
Furniture	292	– 4.9	2,754	3.5
Other	248	– 37.7	3,161	– 4.2
Nondurables	4,542	4.5	39,130	3.8
Gen. mdse.	705	1.0	5,944	3.0
Food/grocery	1,443	5.3	12,640	3.2
Gas	464	17.8	3,677	5.8
Apparel	344	1.2	2,931	2.1
Eat/drink	827	– 1.4	7,258	3.6
Drugs	242	– 7.6	2,304	0.9
Other	517	16.4	4,376	8.5

Seas. adj. total: September 6,964
August 7,132

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability.

New Pennsylvania motor vehicle registrations
(percent change from year ago)

	Total registrations	Pct. change
September	60,671	– 12.4
1990 YTD	468,715	– 11.2
12-month total	606,518	– 13.1

Source: R.L. Polk & Co.

Construction activity is also weakening as the number of new housing units authorized by permit continue to plunge — they are down 22 percent so far this year. The value of construction contracts awarded also continues to track down, although the news was a bit more encouraging in October.

In light of the general weakness apparent throughout the Pennsylvania economy, it is not surprising to find that existing home sales in the Commonwealth are also fairly soft. For the year, they are down 11.6 percent compared to the first three quarters of 1990. In the third quarter, sales came in at a seasonally adjusted annual rate of 244,100, up from second quarter readings, but still off from a year ago. (*Beginning with this issue of the* Survey, *trends in existing home sales in Pennsylvania will be reported on a quarterly basis. Special thanks go to the National Association of Realtors for providing these data. This information is a welcome addition to the* Pennsylvania Business Survey *and will enable us to better track economic activity in the Commonwealth.)*

Although there appears to be some minimal improvement in October, most measures of manufacturing activity continue to point down. Interestingly, job and production trends remain on divergent paths (chart). While the long-term trend in factory jobs has been down throughout the economic recovery, manufacturing production has advanced nicely in recent years, though more recent trends suggest that production activity, at best, is holding steady.

New Pennsylvania building permit authorizations
(percent change from year ago)

	Oct.	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,200	– 15.6	31,810	– 22.2
Nonresidential	1,847	– 5.0	18,735	– 4.2

Source: U.S. Dept. of Commerce, Bureau of the Census.

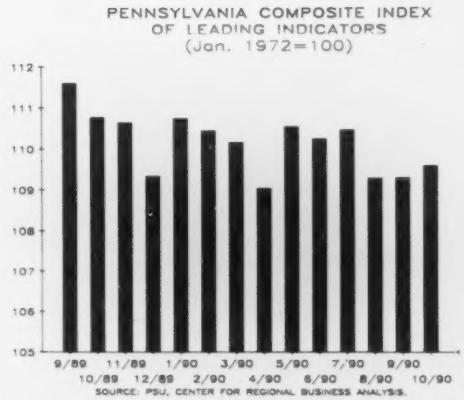
Pennsylvania existing home sales
(seas. adj. ann. rates; thousands)

	Sales	Pct. change Qt. ago	Pct. change Yr. ago
1990:IIIQ	244.1	8.5	– 1.9
1990:IIQ	225.0	22.4	– 4.1
1990 YTD	217.6	n.a.	– 11.6

Source: National Association of Realtors.
Most recent data are preliminary.

If anything, the outlook for the Pennsylvania economy is worsening, along with prospects for the U.S. as a whole. The coincidental index of economic indicators is down in October for the fifth consecutive month. While the leading index is up slightly, trends over the past several months still point down (chart). Taken as a whole, trends in most economic indicators in recent months suggest that the probability of a recession has increased in the Commonwealth.

— William D. Anderson



Personal Income Report

As hinted at in the previous review of Pennsylvania personal income trends (*PBS*, September 1990), second quarter trends provide additional evidence of a slowdown in the overall rate of economic growth in the region. If trends similar to those in the first half of the year continue, 1990 will bring with it the weakest personal income gain since 1983. Personal income growth during the April-June period, whether measured from the previous quarter or from a year ago, is down from first quarter trends. For the year, income is up 5.3 percent in averaging $216.3 billion. Over the 1983-1989 period, income growth came in at an average annual rate of 6.5 percent.

Several specific patterns, each of which points o a sluggish economy in the State, stand out. The growth in personal income from a year ago has receded in five consecutive quarters. After reaching a post-recession high of 8.4 percent in the first quarter of 1989, income growth has declined to an annual rate of 5.2 percent in the most recent period. After adjusting for inflation, total personal income has barely inched forward this year. The growth in "real" personal income of late has been the weakest of the recovery period. Finally, Pennsylvania's performance relative to the U.S. remains worrisome. So far this year, personal income is up 6 percent nationwide. The fact that one has to go back to 1975 to find a single quarter in which annual personal income growth in Pennsylvania exceeded U.S. norms clearly suggests that the Commonwealth has been losing ground to the nation as a whole for more than a decade.

Pennsylvania personal income
(seas. adj. ann. rates; millions of dollars)

		Pct. change			Pct. change	
	Personal Income	Qt. ago	Yr. ago	Nonfarm personal Income	Qt. ago	Yr. ago
1990:IIQ	217,388	1.0	5.2	216,315	1.0	5.2
1990:IQ	215,230	1.7	5.4	214,094	1.6	5.5
1990 YTD	216,309	n.a.	5.3	215,205	n.a.	5.3

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis

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